GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1479
ANSWERED ON:11.03.2005
APPROVAL FOR TRANSFER OF SHARES THROUGH FIPB/ RBI
Chitthan Shri N.S.V.

Will the Minister of FINANCE be pleased to state:

(a) whether earlier there was a option to either approach FIPB/RBI Central office for getting approvals for transfer of shares;

(b) whether that now companies have to only approach RBI for the purpose causes considerable delay in the process; and

(c) the steps being taken to route these approvals through both RBI or FIPB for quicker disposal of applications ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (S.S. Palanimanickam)

(a) : Earlier transfer of shares from resident shareholders to non- residents of an Indian company required prior permission of the Government (FIPB) followed by approval from RBI as per Regulation 10 A of Foreign Exchange Management

(Transfer of security by a person Resident outside India) Regulations, 2000 notified vide Notification No. FEMA.20/2000-RB dated 3rd May, 2000.

(b) &(C): In order to make the environment in India more attractive for foreign investors and to simplify the procedures, Government has dispensed with the requirement of obtaining prior approval of the Government (FIPB) in respect to shares/convertible debentures, by way of sale , from residents to non-residents (including transfer of subscriber`s shares) of an Indian company in sectors other than financial services sector (i.e Banks, NBFCs and Insurance) provided the following conditions are complied with:

(i)The activities of the investee company are under the automatic route under FDI policy and transfer does not attract the provisions of SEBI (SAST) Regulations, 1997.

(ii)The non- resident shareholding after the transfer, complies with sectoral limits of FDI policy.

(iii)The price at which the transfer takes place is in accordance with the pricing guidelines prescribed by SEBI/RBI.

The onus of complying with the sectoral cap/limits prescribed under FDI policy as well as other guidelines/regulations would rest with the buyer and seller/issuer.

All automatic route approvals only envisages `ex-post` reporting to RBI within 30 days of investment being made in India.